

THE SPANISH ECONOMY

Recent Developments and Prospects

Quarterly bulletin
May 2006



**MINISTERIO DE
ECONOMÍA Y HACIENDA**

Secretaría de Estado de Economía
Dirección General de Política Económica

N.I.P.O.: 601-06-019-6

Elaboración y coordinación: D.G. de Política Económica
S.G. de Análisis Macroeconómico

Edición y distribución: Secretaría General Técnica
Centro Publicaciones y Documentación
Ministerio de Economía y Hacienda
Plaza Campillo del Mundo Nuevo, 3
C.P. 28005 Madrid
Teléfono: 91 506 37 40 - Fax: 91 527 39 51

THE SPANISH ECONOMY

Good performance by the world economy in the early months of 2006

In the early months of 2006, the **world economy** continued to grow rapidly despite high oil and commodity prices. The USA and emerging countries were responsible for much of the boost, although Europe and Japan also picked up speed. The European Commission's spring projections stated that global economic growth would be 4.6% in 2006, the same as in 2005, and would decline by a few tenths of a point in 2007 due to tighter monetary policy and high energy prices. World trade, which was already more dynamic in the first quarter, was projected to rise by 8% in 2006 and 7% in 2007.

The gradual economic recovery in the euro area is confirmed ...

The **US** economy rebounded vigorously after the hurricanes in 2006, and the **emerging countries**, headed by China, were very dynamic (both in Asia and Latin America). According to the most recent indicators, the eagerly-awaited recovery by **Europe's economy** seems to be materialising. In Germany, domestic demand showed clear signs of a recovery, although part of the increase in the first quarter may be attributed to certain durable goods purchases brought forward following an announcement that VAT rates will increase in 2007. In France, growth accelerated as a result of improved external demand, and the Italian economy began to recover slowly after a stagnant fourth quarter. The UK economy remained as dynamic as in the previous quarter, with manufacturing industry gaining ground as a component of growth. In **Japan**, the latest figures confirm the economy's renewed vigour, and deflation seems to have been defeated definitively.

... while there are growing expectations of interest rate increases in the near future

In May, the publication of consumer price indexes on both sides of the Atlantic raised fears in the markets that prices, which had been relatively subdued to date, might begin to suffer second-round effects due to persistently high oil and commodity prices, and that interest rates would continue to rise. This uncertainty produced turbulence in the securities and currency markets, which are still somewhat volatile because of tensions caused by crude prices and declarations by the governors of the central banks.

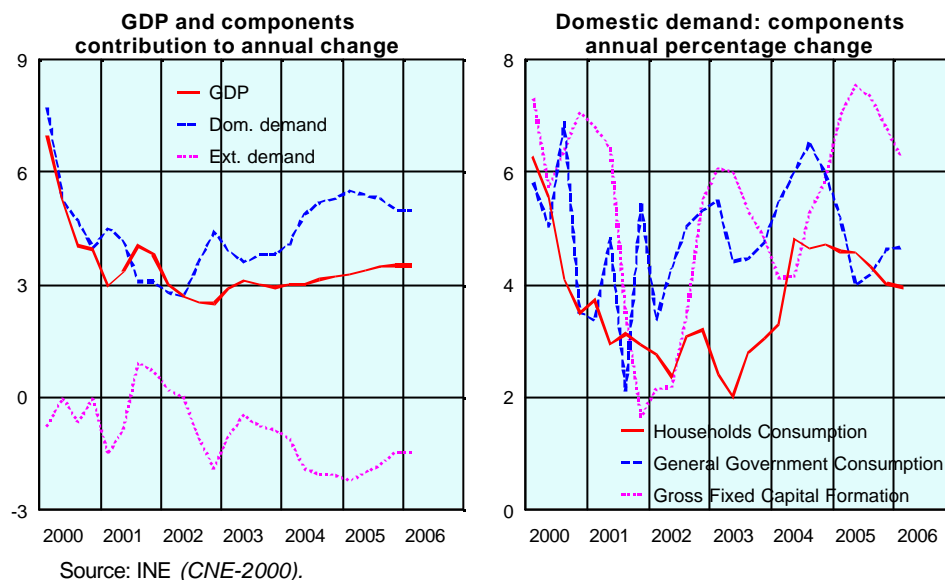
The Spanish economy continues to grow rapidly ...

The **Spanish economy** has maintained a brisk pace of growth so far this year despite rising energy prices and the moderate rising trend in interest rates. Immigration flows and still-loose monetary conditions continue to boost consumer spending and investment in fixed capital, while exports are beginning to benefit from rapid growth outside the European Union and the steadily consolidating recovery within the Union itself.

... and a significant differential with respect to the euro area

As a result of those factors, **real GDP** increased by 3.5% year-on-year in the first quarter, the same rate as in the previous quarter, while quarter-on-quarter growth eased

Chart 1. QUARTERLY NATIONAL ACCOUNTS
seasonal and calendar effects adjusted data, chain-linked volume



back one tenth of a point to 0.8%. The growth differential with respect to the euro area is still significant (1.6 points year-on-year, 0.2 points quarter-on-quarter), although the gap has narrowed in the course of the last year.

Domestic and external demand maintained their contribution to growth

Spain's economic growth is being sustained by **domestic demand**, whose contribution to year-on-year GDP growth was steady at 5 percentage points, compared with an equally steady negative contribution (-1.5 points net) by **external demand**. The composition of growth improved slightly with respect to 2005, as domestic demand declined somewhat, accompanied by a reduction in the negative contribution by the foreign sector.

Private consumption expenditure still dynamic ...

Private consumption expenditure continued to grow rapidly in the first quarter (4% year-on-year) boosted by strong job creation, among other factors. The deterioration in real incomes caused by rising energy prices may have been offset by a likely reduction in household saving, as indicated by growth in nominal consumption expenditure well in excess of wage growth. However, the dynamism of consumption expenditure is due basically to services, whereas some indicators of goods consumption, such as retail sales, are somewhat more subdued.

... and public expenditure ...

Public expenditure grew even faster than private consumption expenditure (4.7%) as a result of wage growth and, to a lesser extent, growth in intermediate consumption expenditure by the Public Administrations.

... and, above all, investment in fixed capital

As for **investment in fixed capital**, all components continue to rise, particularly **capital goods**, whose growth rate remained over 8% in the first quarter despite having slowed. The factors explaining that component's growth include strong domestic demand, the persistently low cost of capital, the more favourable outlook for the European Union, and rising corporate earnings, which were favoured by strong sales performance, wage moderation, and a reduction in companies' financial burden in recent years.

Investment in housing is still strong, but prices are decelerating

Though growing more slowly than investment in capital goods, investment in **construction** accelerated slightly in the first quarter to a rate of 5.8%. That was due to the renewed vigour of *residential* investment, which was consistent with the rising trend of various indicators, such as cement consumption, mortgage lending and new construction permits. Nevertheless, average house prices continued to slow in anticipation of a slowdown in demand for residential property which has yet to materialise.

Good performance by goods exports contrasts with a reduction in spending by tourists

The main development in foreign demand was the notable recovery by **exports** in the first quarter, reaching 9.1% real growth, in contrast with 1.9% in the previous quarter. **Imports** also accelerated notably, to 12.4% (from 6.6%), with the result that the foreign sector's net negative contribution remained unchanged at -1.5 points. A breakdown of exports reveals very good performance by goods, which outstripped goods imports for the first since 2Q02, although consumption expenditure in Spain by non-residents declined, contrasting with growth in tourist arrivals, which suggests a decline in average expenditure per tourist.

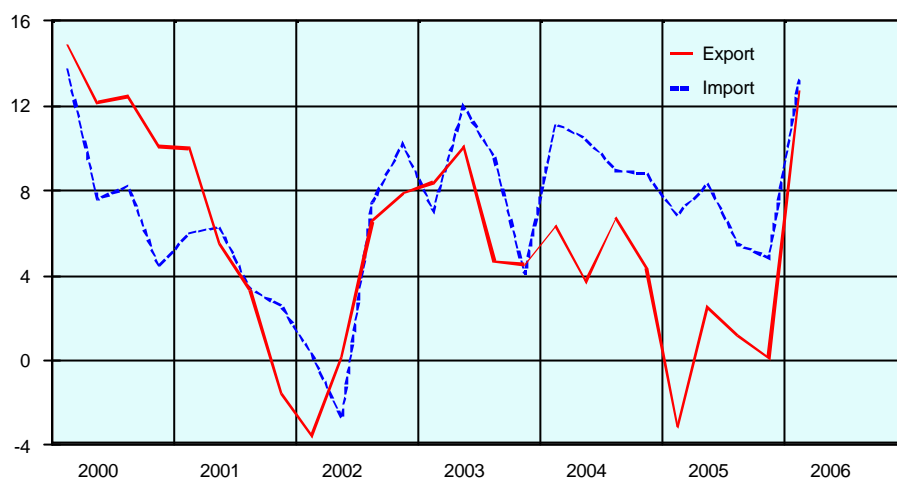
European economy and domestic demand intensify trade flows

The European economy's recovery was reflected in a sharp upswing in Spain's exports to the rest of Europe, driven mainly by automobile industry sales. Exports to non-EU countries grew even faster. Imports of consumer goods, intermediate goods and capital goods all increased at a rapid pace due to strong domestic demand.

All sectors contributed positively to growth

On the **supply** side, there was a positive contribution from all the major sectors of the economy—including the primary sector, whose growth rate was nonetheless very low. Outside agriculture, gross added value grew very strongly in construction and more moderately in energy and services, while industry registered a slower pace of growth, although it seems to be entering an upswing, as confirmed by such indicators as the Industrial Production Index, production capacity utilisation and business opinion surveys in the sector.

Chart 2. FOREIGN TRADE OF GOODS. VOLUME
annual percentage change



Source: DA and SGAM.

Employment still growing at a rapid pace

Employment continued to grow strongly, leaving little room for growth in apparent **productivity** per employee, which repeated the modest 0.3% year-on-year increase observed in 4Q05, mainly as a result of strong growth in very labour-intensive sectors such as construction and services. Wages grew moderately, but the scant improvement in productivity was reflected in **Unit Labour Costs (ULC)** increasing faster than in the euro area (although the differential has narrowed in the last year). Nevertheless, ULC growth is still significantly lower than the GDP deflator (2.3% vs. 4.3%, respectively, in 1Q06), showing a continuing decline in real terms.

Employment growth year-on-year stabilised at a high level

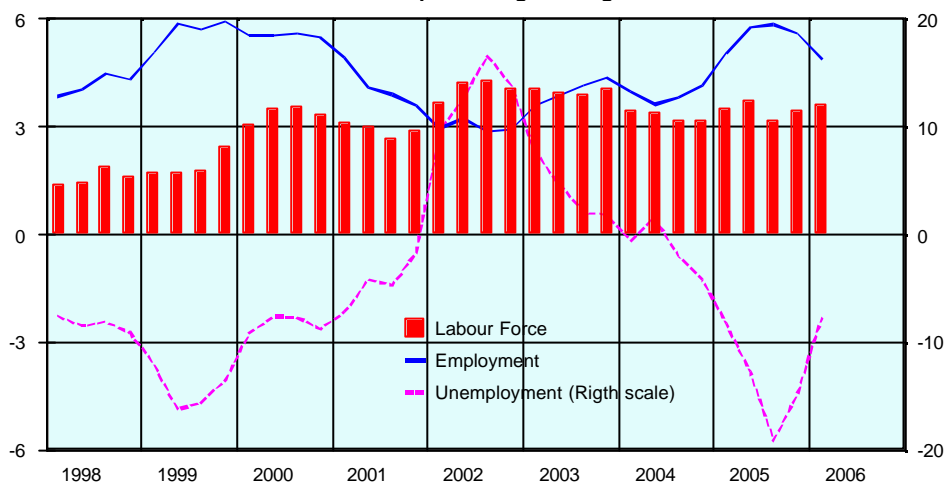
The various employment indicators in the first months of 2006 continued to reveal strong job creation, in line with solid economic activity. Employment estimated by the **Labour Force Survey (LFS)** in the first quarter of 2006 reflected 4.9% year-on-year growth. That was practically the same rate as in 4Q05, using data corrected for the changes in the survey methodology early in 2005. The number of **Social Security contributors** shows a similar trend; it stabilised at a 5.6% year-on-year increase in the first quarter (using monthly average figures). It should be noted that Social Security contributor numbers are biased upwards slightly by the process of regularising immigrant workers that commenced in May 2005. Nevertheless, the pace of growth in Social Security contributor numbers eased slightly in April.

The level of temporary employment fell by almost half a point

The LFS revealed particularly dynamic growth in employment in construction and services. The number of employees on temporary contracts increased faster than the

number of permanent employees (10.8% vs. 3.8%, based on corrected figures). That was due to a deceleration of 0.4 points in temporary employment growth, contrasting with growth of 0.5 points in permanent employees. As a result of this trend in salaried employment, the percentage of employees on temporary contracts declined by almost half a point to 33.3%.

Chart 3. LABOUR MARKET TRENDS
annual percentage change



Source: INE (LFS).

The unemployment rate increased due to growth in the labour force.

The labour force evolution remains strong this year, having grown by 3.6% year-on-year in the first quarter (0.4 points more than in the previous quarter). A growing labour force coupled with stable employment growth explains the increase in the unemployment rate to 9.1%, 0.4 points higher than in the previous quarter but 1.1 points lower than a year ago. However, *registered unemployment* continued to fall in the first four months of the year.

Wage increases agreed through April were the same as in 2005

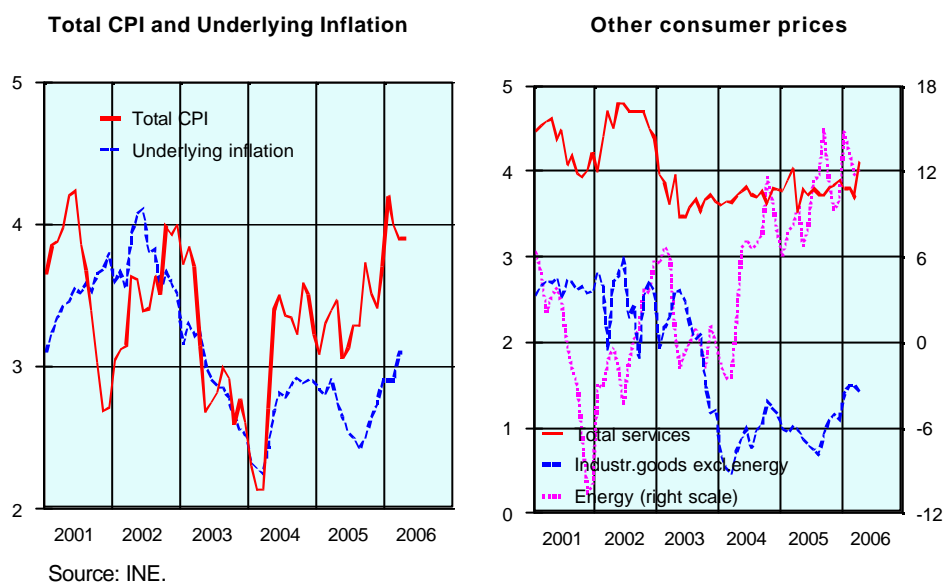
Trends in the early months of 2006 suggest that **wage moderation** will persist this year: the average wage increase agreed upon is 3.1%, the same as in 2005. However, National Accounts data show 2.6% year-on-year wage growth in the first quarter, i.e. 0.2 points more than the previous quarter. That acceleration, combined with stagnant productivity growth, led to a 0.2 point increase in the year-on-year growth in unit labour costs (ULC) to 2.3%.

Core inflation has been below headline inflation for over two years

Inflation stood at 3.9% in April, having declined slightly since January. **Core inflation** has been significantly lower than headline inflation for more than two years. In

fact, it was stable at 3.1% in April, although that was 0.2 points higher than in December, due mainly to the increase in tobacco prices in March.

Chart 4. CONSUMER PRICES
annual percentage change



Inflation currently has a large transitory component

Price trends this year have been driven mainly by two strongly inflationary but temporary episodes: perturbations in the price of oil, which have affected the Spanish economy for over a year, and the considerable instability in the edible oil market (the oils and fats component is up over 30% year-on-year in recent months). Other underlying and more lasting effects, such as wage moderation and unit labour costs, are offsetting the impact of those transient factors.

Energy still the most inflationary component

A breakdown reveals energy as the most inflationary sector, in line with the sharp escalation by oil prices. In April, Brent exceeded \$70 per barrel, compared with \$56.6 in December. Nevertheless, the upswing by oil prices in recent months is being mitigated by the euro's appreciation against the dollar. Energy price inflation was 12.2% in April. Services prices also continue to rise faster than goods prices, having increased by 4.1% year-on-year in April. On the other hand, non-energy industrial prices moderated to an inflation rate of 1.4% in April.

The inflation gap with EMU has been stable so far this year

Inflation in the EMU rose from 2.2% in December 2005 to 2.4% in April 2006. Meanwhile, inflation in Spain (**harmonised CPI**) in April was 3.9%, 0.2 points more

than in December. As a result, Spain's **inflation differential** with EMU remained stable at 1.5 percentage points in the first four months of 2006.

Declining inflation expectations in the second quarter

The inflation outlook for the second quarter is for a slight downturn, supported by recent performance by price indexes (normally a leading indicator of final prices). Nevertheless, the main inflationary risk at this time is the high degree of uncertainty about oil prices.

Investment rate in the Spanish economy rising rapidly...

Investment in the Spanish economy remained strong in the first quarter of 2006: the investment rate was 32.9% of GDP, nearly 3 percentage points more than in the first quarter of 2005. Meanwhile, the saving rate fell by 0.1 points, with the result that net external borrowing amounted to 10.2% of GDP.

... high energy prices and seasonal effects increased net external borrowing.

The trade deficit and services surplus contributed to widening the imbalance, as did the slight reduction in the capital transfer balance, somewhat offset by the decline in the income and current transfer deficits. Two-thirds of the impairment in the trade deficit with respect to last year was due to rising energy prices; it should be noted that the sharp decline in net tourism revenues is based on figures not corrected for the calendar effect (biased downwards because of Easter).

Positive influence of the economy on public accounts

As for **public finances**, the State registered a surplus (in both cash and National Accounts terms) through April that was significantly higher than in previous years; this was mainly as a result of a sharp increase in tax revenues in the first four months (12% in cash terms, 15% in National Accounts terms), driven by growth in employment and nominal income and expenditure.

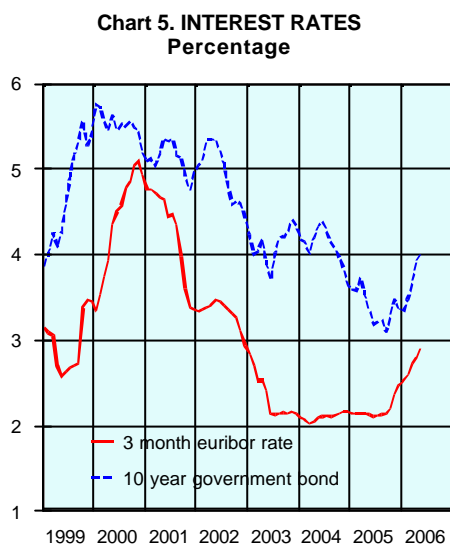
Social security contributions rose sharply in the first quarter

Contributions in the Social Security system increased steadily in the first quarter, attaining 8.5% year-on-year growth in March, contrasting with 7.8% growth in pension expenditure. Also, unemployment benefit expenditure increased by 6.3% through March despite the decline in registered unemployment, mainly because the percentage of registered unemployed drawing benefits continued to increase, as did the average amount of benefits.

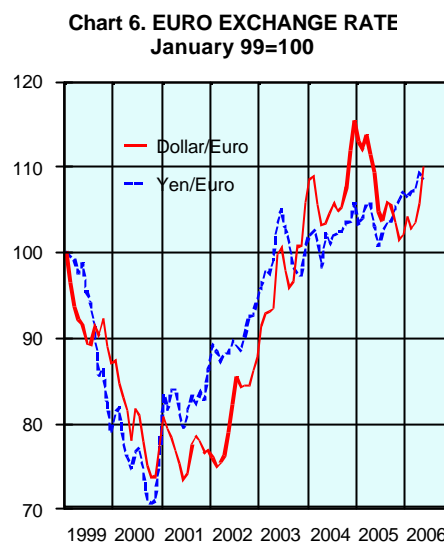
A significant public surplus expected in 2006

Based on the trend observed in the main public revenue items in the early months of 2006, and assuming expenditure grows in line with expected nominal GDP, Spain's

public administrations are expected to report a significant surplus again in 2006 (1.1% of GDP in 2005). That will signify further progress in the consolidation of Spain's public finances and will contribute to reducing the basic imbalances affecting our economy.



Source: Banco de España.



Source: European Central Bank.

The ECB tightened monetary policy

As a result of higher inflation risks in the euro area caused by more vigorous economic performance and persisting high oil prices, the ECB has adopted a more restrictive **monetary policy**. Two quarter-point increases in official interest rates to date (in December and March) have raised the basic reference rate to 2.5%.

Interest rates, both short and long, exhibit rising trend

In these conditions, expectations of further rises predominate in the money markets, and the yield of one-year interbank deposits (euribor), used as the benchmark for many mortgages, has risen by 1.2 percentage points since September, reaching 3.3% at the end of May. Yields on government bonds, which are more subject to fluctuations in the international financial markets and, therefore, are more volatile, rose by almost 1 percentage point to 4% in the same period.

The Spanish economy still has loose monetary and financial conditions

Despite the more restrictive tone of ECB monetary policy, monetary and financial conditions in the Spanish economy are still loose. Interest rates are below inflation and, despite the sharp decline by the world equity markets in May (the IBEX 35 lost almost 5%), the Spanish stock exchange is up 6% so far this year and 100% above its 2002 low. Exchange rates are partly offsetting loose monetary policy. The euro appreciated by 4% between January and May in effective nominal terms.

Liquidity and credit continue to accelerate in the euro area

In a context of low interest rates, liquidity and borrowing are both escalating rapidly in the euro area, creating fears about price stability in the medium and long term, particularly if the euro area economy booms, as appears likely.

Madrid, 31 May 2006

STATISTICAL APPENDIX

Table 1.- QNA: MAIN AGGREGATES OF DEMAND AND OUTPUT

Percentage change on previous year, chain-linked volume, except when indicated. Seasonal and calendar effects adjusted series.

	2003	2004	2005	2004	2005				2006
				IV	I	II	III	IV	I
Final consumption expenditure.....	3.1	4.8	4.4	5.0	4.7	4.4	4.3	4.2	4.1
- Households	2.6	4.4	4.4	4.7	4.6	4.6	4.3	4.0	4.0
- NPISH (1)	1.9	5.0	4.3	7.1	5.0	4.4	4.7	3.1	3.1
- General Government	4.8	6.0	4.5	6.0	5.2	4.0	4.2	4.6	4.7
Gross fixed capital formation.....	5.5	4.9	7.2	5.8	7.0	7.6	7.3	6.8	6.2
- Equipment.....	2.5	3.7	9.5	8.4	9.8	10.4	8.9	9.1	8.3
- Other products.....	7.7	4.4	7.6	4.2	6.5	8.1	8.5	7.5	4.9
- Construction.....	6.3	5.5	6.0	5.2	6.0	6.2	6.3	5.6	5.8
Stockbuilding inventories (2).....	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0
Domestic demand (2).....	3.8	4.9	5.3	5.3	5.5	5.4	5.3	5.0	5.0
Exports of goods and services.....	3.6	3.3	1.0	2.7	-1.4	1.3	2.1	1.9	9.1
Imports of goods and services.....	6.0	9.3	7.1	9.7	6.2	7.9	7.8	6.6	12.4
External demand (2)	-0.8	-1.8	-1.9	-2.1	-2.2	-2.0	-1.8	-1.5	-1.5
GDP AT MARKET PRICES	3.0	3.1	3.4	3.2	3.3	3.4	3.5	3.5	3.5
- GVA Agriculture, forestry and fishing.....	-0.1	-1.1	-0.7	-2.3	-1.9	-1.3	0.3	0.1	0.2
- GVA Industry	0.9	0.3	0.6	0.3	0.3	0.0	0.9	1.1	2.0
- GVA Energy	1.3	2.0	4.4	1.8	4.2	4.0	4.5	5.0	3.9
- GVA Construction.....	5.0	5.1	5.5	4.8	5.4	5.4	5.8	5.4	5.5
- GVA Services	2.9	3.6	3.9	4.1	3.8	3.8	3.9	4.0	3.7

(1) Non-profit institutions serving households. (2) Contribution to GDP growth in percentage points.

Source: INE. *Quarterly National Accounts*.

Table 2.- ACTIVITY AND DOMESTIC DEMAND INDICATORS

Percentage change on previous year or balance

	2005	2006(1)	2005			2006		Latest Data
			II	III	IV	I	II (1)	
Activity								
Social Security contributors.....	4.4	5.5	3.9	5.3	5.6	5.5	5.6	Apr
General IPI (filtered) (2)	0.7	2.6	0.1	0.7	1.6	2.6	-	Mar
Industrial capacity utilisation (%)	80.2	80.1	79.5	81.1	80.7	79.7	80.5	II
Industrial sentiment indicator (balances in %)	-4.8	-4.4	-7.0	-4.7	-4.3	-5.3	-3.0	May
Electricity power consumption (3)	2.8	3.1	2.7	1.5	1.9	2.8	4.2	Apr
Cement consumption.....	7.3	9.0	13.6	7.8	6.1	16.0	-8.1	Apr
Surface to be built (projects)	5.3	14.3	4.8	3.7	7.8	14.3	-	Mar
Official bidding	18.5	14.9	36.6	3.1	36.9	14.9	-	Mar
Construction confidence indicator (balances in %).....	22.4	13.8	15.0	22.7	28.3	15.3	11.5	May
Railway traffic (goods) (4)	-3.2	8.1	-4.7	-2.3	11.0	8.1	-	Mar
Air-traffic (passengers).....	9.1	8.0	8.5	10.2	9.1	5.2	15.1	Apr
Foreign tourist.....	6.1	5.8	4.4	7.0	4.9	0.6	17.7	Apr
Demand								
IPI, consumer goods (filtered) (2).....	0.9	0.6	1.1	1.4	0.9	0.6	-	Mar
Consumer goods imports (volume).....	7.9	20.5	8.4	7.8	8.6	20.5	-	Mar
New car registrations.....	0.8	-0.9	4.9	2.3	-4.5	2.5	-10.5	Apr
Consumer Confidence Indicator (balances in %).....	-10.9	-12.2	-11.3	-11.3	-11.3	-12.3	-12.0	May
IPI, capital goods (filtered) (2).....	-0.1	6.5	0.6	-1.3	0.8	6.5	-	Mar
Capital goods imports (volume).....	20.4	10.0	36.0	13.5	8.2	10.0	-	Mar
Households and business financing (5).....	15.2	17.7	14.8	15.7	16.7	17.7	-	Mar

(1) Available data period. (2) Adjusted for calendar effect. (3) Adjusted for calendar and temperature effects. (4) Mt-Km. (5) Deflated by CPI.

(-) Not available.

Sources: MTAS, INE, REE, OFICEMEN, MFOM, RENFE, AENA, IET, DA, ANFAC, CE and BE.

Table 3.- FOREIGN SECTOR (1)

	2004 (p)	2005 (p)	2005				2006		
			I	II	III	IV	I	Feb.	Mar.
Imports cif (Million €) (2)	17,261	19,281	17,578	19,921	18,887	20,738	21,104	20,497	23,477
Exports fob (Million €) (2)	12,205	12,797	11,977	13,431	12,079	13,700	14,065	13,992	15,450
Trade balance (Million €) (2)	-5,056	-6,484	-5,601	-6,490	-6,809	-7,038	-7,039	-6,504	-8,027
Imports (% Δ on p.y.): Volume	9.8	6.4	6.8	8.4	5.5	4.9	13.2	11.6	14.7
Price	2.5	5.0	5.2	3.6	6.2	5.2	6.1	6.6	6.0
Exports (% Δ on p.y.): Volume	5.2	0.2	-3.1	2.5	1.2	0.1	12.7	11.6	14.2
Price	1.0	4.7	5.1	3.1	5.7	4.9	4.2	3.3	5.0
Current and capital account balance: Million € ..	-2,978	-4,888	-5,630	-4,803	-4,467	-4,651	-7,910	-8,058	..
% GDP	-4.3	-6.5	-8.0	-6.3	-6.1	-5.7	-10.4	..	..
Net external reserves (Million €) (3)	14,505	14,601	13,321	13,672	14,032	14,601	15,377	15,005	15,377

(1) Monthly average. (2) Customs basis. (3) End of period data. (..) Not applicable. (p) Provisional.

Sources: DA, BE and MEH

Table 4.- EMPLOYMENT AND UNEMPLOYMENT

Annual percentage change and level in the latest quarter

	2004	2005	2004				2005				2006		Thousands
			I	II	III	IV	I	II	III	IV	I	Feb.	
Labour force.....	3.3	3.5	3.5	3.4	3.2	3.2	3.5	3.7	3.2	3.5	3.6	21.34	
Employment.....	3.9	5.6	4.0	3.6	3.8	4.1	5.1	5.8	5.9	5.6	4.9	19.40	
Agriculture.....	-0.2	1.2	2.6	-0.5	0.2	-3.1	-1.4	0.7	2.9	2.7	-3.2	0.98	
- Non agriculture.....	4.2	5.8	4.1	3.9	4.0	4.6	5.5	6.1	6.0	5.8	5.4	18.42	
Industry	0.3	2.1	-1.1	-0.1	-0.1	2.6	2.6	2.0	2.7	1.3	0.5	3.27	
Construction	7.2	4.6	5.8	5.5	7.7	9.8	5.1	4.5	5.0	3.9	7.3	2.44	
Services	4.7	7.1	5.3	4.7	4.6	4.2	6.4	7.5	7.1	7.4	6.3	12.71	
Wage earners.....	4.2	5.3	4.4	3.8	4.1	4.5	4.2	5.7	5.9	5.5	6.1	15.89	
- Public sector.....	3.4	2.3	3.1	2.2	3.7	4.7	3.2	3.0	3.0	0.0	1.1	2.86	
- Private sector.....	4.4	6.0	4.8	4.1	4.2	4.5	4.4	6.3	6.6	6.7	7.2	13.03	
Unemployed	-1.3	-13.6	-0.5	1.6	-2.0	-4.1	-8.2	-12.7	-19.1	-14.7	-7.8	1.94	
Unemployment rate (% labour force)	11.0	9.2	11.5	11.1	10.7	10.6	10.2	9.3	8.4	8.7	9.1	-	
Employment offices (*)													
Registered unemployment.....	-0.9	-2.1	1.6	2.4	1.0	-1.7	-2.2	-3.6	-1.5	-0.9	0.0	2.08	

(*) Latest available April.

Sources: INE (Labour Force Survey) and SPEE

Table 5.- PRICES AND WAGES

Annual percentage change

	2004	2005	2004				2005					2006					
			Dec.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
Consumer price index																	
Total	3.0	3.4	3.2	3.5	3.1	3.1	3.3	3.3	3.7	3.5	3.4	3.7	4.2	4.0	3.9	3.9	
Food	3.9	3.4	3.3	4.1	3.3	3.3	2.7	2.7	3.0	3.2	3.4	4.3	4.2	3.8	4.1	3.3	
Non food	2.7	3.4	3.2	3.2	3.0	3.1	3.5	3.5	4.0	3.6	3.4	3.5	4.2	4.1	3.8	4.0	
Underlying (1)	2.7	2.7	2.9	2.8	2.6	2.5	2.5	2.4	2.5	2.6	2.7	2.9	2.9	2.9	3.1	3.1	
Industry excluded energy	0.9	0.9	1.2	1.0	0.9	0.8	0.7	0.7	0.9	1.1	1.2	1.1	1.4	1.5	1.5	1.4	
Services	3.7	3.8	3.8	3.5	3.8	3.7	3.8	3.7	3.7	3.8	3.8	3.9	3.8	3.8	3.7	4.1	
Energy.....	4.8	9.6	7.6	9.6	6.8	8.2	11.4	11.5	15.0	11.2	9.3	9.9	14.8	13.3	11.8	12.2	
Wages																	
Collective bargaining (2)	3.6	4.0	3.0	2.9	2.9	2.9	2.9	2.9	2.9	2.9	3.0	3.1	2.8	3.0	3.1	3.0	
Total wage cost per worker (3) .	2.8	2.6	2.6	..	..	3.4	..	..	1.9	..	..	2.5	..	..	-	..

(1) Consumer price index not including energy and unprocessed food. (2) Monthly data refer to the collective agreements registered until the respective month. Annual data include the application of wage revisions clauses. (3) Monthly data refer to the quarter ending in the respective month. (..) Not applicable.

Sources: INE and MTAS.

Table 6.- PUBLIC SECTOR: STATE OPERATIONS

	Million €				Annual percentage change			
	2004	2005	2005	2006	2004	2005	2005	2006
			Apr.	Apr.			Apr.	Apr.
1. Receipts	114793	128777	49529	55464	4,7	12,2	11,1	12,0
Direct taxes	58669	70665	22888	26055	3,8	20,4	16,8	13,8
Indirect taxes	41350	44618	22865	25781	5,8	7,9	15,2	12,8
Other revenues	14775	13494	3776	3629	5,1	-8,7	-26,1	-3,9
2. Expenditure	114734	122755	42390	41973	0,8	7,0	14,6	-1,0
Wages, goods and services	22998	24065	7202	7555	7,2	4,6	2,9	4,9
Interest expenses	16751	17831	8778	6923	-15,4	6,4	34,9	-21,1
Current transfers	61006	64541	21384	22811	5,0	5,8	13,1	6,7
Capital outlays	13980	16318	5026	4684	-3,4	16,7	9,8	-6,8
3. Cash deficit (2-1)	-59	-6022	-7139	-13492	-	-	-5,8	89,0
4. Changes in financial assets	4390	4136	6723	12219	-	-5,8	-54,0	81,7
5. Borrowing requirement (3+ 4)	4331	-1886	-416	-1273	143,2	-	-	206,0

Source: MEH.

Table 7.- MONETARY AND FINANCIAL SECTOR

	2005	2006	2005		2006				
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.
<u>Financing resident in Spain (1)</u>									
Total financing (loans and securities)	15.7	17.1	16.2	15.7	16.2	17.4	17.1	-	-
Non financial corporations and household	21.0	22.6	20.8	21.0	20.8	22.3	22.6	-	-
General government	-3.9	-4.1	-0.8	-3.9	-0.7	-1.2	-4.1	-	-
<u>Interest rates (period averages)</u>									
Intervention rate (2)	2.25	2.50	2.00	2.25	2.25	2.25	2.50	2.50	2.50
3 mon. euribor rate	2.19	2.70	2.36	2.47	2.51	2.60	2.72	2.79	2.89
1 yr. euribor rate	2.33	3.08	2.68	2.78	2.83	2.92	3.11	3.22	3.31
10 yr. gov. bond yield	3.39	3.67	3.48	3.37	3.33	3.48	3.65	3.92	3.99
Loans. Synthetic rate	3.85	4.21	3.85	3.93	4.11	4.14	4.23	4.34	-
Deposits. Synthetic rate	1.16	1.36	1.20	1.26	1.31	1.31	1.39	1.41	-
<u>Exchange rates(period averages)</u>									
Dollar/Eur	1.245	1.222	1.179	1.186	1.210	1.194	1.202	1.228	1.277
Yen/Eur	136.87	141.57	139.59	140.58	139.82	140.77	140.96	143.60	142.69
Effective (Index: 1999 Q1= 100)	102.98	102.01	100.66	100.70	101.41	100.73	101.50	102.66	103.76
<u>Stock exchange (3)</u>									
Madrid (Index Dec 1985= 100)	1066.1	1257.5	1138.5	1156.2	1199.8	1271.2	1287.3	1295.6	1233.9

(1) Year-on-year percentage change. For annual data. December on December. (2) Last rate of each period. (3) For annual data, period averages.
Source: BE and ECB.